

**Statement of John Wancheck**  
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I'm John Wancheck, the Earned Income Credit Campaign Coordinator for the Center on Budget and Policy Priorities, a nonprofit policy institute that conducts research and analysis on fiscal policy matters, as well as on programs and policies for low-income families and individuals. The Center has conducted a national outreach campaign for twenty years to publicize the need for low- and moderate-income workers to file the proper tax forms to receive the Earned Income Tax Credit (EITC) and Child Tax Credit benefits they have earned. We emphasize the need for free tax filing alternatives, such as the Volunteer Income Tax Assistance (VITA) program, to be available in communities and publicized as a natural part of EITC outreach. Recognizing that about 70 percent of EITC claims are filed through commercial tax preparers, we also provide materials with guidelines on choosing a tax preparer and warnings about the high costs and risks associated with refund anticipation loans.

We support the IRS's requirement that every VITA and Tax Counseling for the Elderly (TCE) volunteer pass a certification exam before they can assist individuals to file their returns. The volunteers are there to help lower-income individuals obtain tax benefits to which they are entitled and they should be well-trained in the rules so that they don't lead people into costly errors. But these volunteer programs prepare just a small fraction of nearly a hundred million tax returns filed by low- and moderate income individuals.

Considering that hundreds of thousands of unenrolled commercial tax preparers are providing tax preparation services to the vast majority of lower-income tax filers, it appears unwise that they have no education or certification requirements whatsoever to navigate a very complex set of tax rules and filing procedures. Moreover, unlike the volunteer preparation programs, filers pay them for their services. These preparers are provided access to IRS electronic filing services, which help them profit by enabling them to offer fast refunds to filers and even immediate loans against prospective refunds.

The need for stronger standards for unenrolled tax preparers is clear. The Government Accountability Office has noted IRS National Research Program findings that errors by paid preparers were more frequent than errors on self-prepared returns. IRS studies of EITC errors have shown that unenrolled preparers outside of the large chains had substantial error rates, considerably higher than CPAs, attorneys, enrolled agents, and employees of the chains. Both GAO and the Treasury Inspector General for Tax Administration have issued reports finding serious preparation errors by both chain preparers and small preparers.

Stronger standards would better serve lower-income tax filers. Although unenrolled preparers are a key source for EITC and other filing errors, there is little accountability to the public. Lower-income filers suffer the hardships of denied claims, penalties, interest, and delay or denial of subsequent year refunds. The IRS has few tools other than expensive fraud investigations to control errors and negligence by ill-equipped preparers.

We believe a system for greater accountability and training of preparers should be developed. The National Taxpayer Advocate has long recommended such a system; we believe her recommendations merit serious consideration and hold the promise of reducing errors and overpayments without harming eligible filers. A certification and registration program would have the following advantages:

- It would improve deterrence of filing errors. It is important for IRS to catch erroneous claims, but even better to deter them to begin with.
- Certification exams provide a benchmark of competency to remain in or enter the tax preparation field. In an era of tax filing software and rapid e-filing it's critical that preparers actually understand complex tax rules.
- IRS must have greater enforcement flexibility, which is provided by an ability to suspend or revoke a preparer's certification and the privileges of electronic filing.
- It provides a tool for the IRS to identify shortcomings in a preparer's understanding of the rules and enhances the ability of the IRS to identify unscrupulous preparers who can pass a certification test but have high rates of filing errors.
- The IRS has developed extensive training materials and curricula for VITA and TCE volunteers. These materials, including on-line training, can be made available or adapted for preparers as an alternative to more expensive tax training programs.
- An important aspect of such a system would be a highly visible, ongoing public awareness campaign about the certification of preparers — with a very recognizable seal of certification for tax filers to look for as a sign of competency.
- This system will not prevent relatives and friends from assisting individuals to prepare their returns at no charge. But it will better ensure that both large- and small-scale preparers who charge fees will be competent.

We urge the IRS to embrace a plan to register unenrolled tax preparers and to require a certification test, which it has previously resisted. We are hopeful that the Commissioner's initiation of this process to explore improvements in the tax preparation industry signals a willingness to reconsider this position.